

PERAC AUDIT REPORT



Revere Contributory Retirement System

JAN. 1, 2000 - DEC. 31, 2003 | PERAC 03: 10-079-05



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Findings and Recommendations	2
Statement Of Ledger Assets And Liabilities	6
Statement Of Changes In Fund Balances	7
Statement Of Income	8
Statement Of Disbursements.....	9
Investment Income.....	10
Statement Of Allocation Of Investments Owned	11
Supplementary Investment Regulations	12
<u>Notes to Financial Statements:</u>	
Note 1 - The System.....	13
Note 2 - Significant Accounting Policies.....	14
Note 3 - Supplementary Membership Regulations.....	15
Note 4 - Administration Of The System	18
Note 5 - Actuarial Valuation And Assumptions	19
Note 6 - Membership Exhibit.....	20

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*

November 18, 2004

The Public Employee Retirement Administration Commission has completed an examination of the Revere Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2000 to December 31, 2003. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners James Sweeney and James Tivnan who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Revere Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

1. Reconciliation of Cash Accounts

The City Treasurer is reconciling the Board's two checking accounts. However, these reconciliations are not forwarded to the Board. As of December 31, 2003 and May 28, 2004 the general ledger accounts 1041 and 1043 are not balanced to the Treasurer's reconciliation.

The Board is not receiving the outstanding check list for the retiree payroll account. As of May 28, 2004 there were 45 checks outstanding, these checks were issued from May, 1995 through September, 2002, totaling approximately \$23,400.

Recommendation:

The Board must receive monthly cash reconciliations from the Treasurer for both checking accounts. The adjusted bank balance must be balanced to the general ledger. The reconciliation must contain a list of outstanding checks. The Board must research any check not cleared within six months, so that the proper voiding and recording of these items can be completed.

Board Response:

On August 11, 2004, the Retirement Board requested that the Treasurer forward monthly reconciliations for both cash accounts including lists of outstanding checks to the Board. The Treasurer has to date complied with the Board's request.

2. Cash Disbursements

The expense vouchers are not being signed. The warrant to the City Treasurer authorizing payment by the Treasurer is only signed by the Chairman of the Board.

Recommendation:

G.L. c. 32, § 23 (2) (a) states: "Payments from such funds shall be made by him only upon vouchers signed by two persons designated by the board of any such system by a vote a duly attested copy of which, bearing upon its face specimen signatures of such persons, shall be filed with the treasurer-custodian as his authority for making payments upon vouchers so signed. No voucher shall be drawn unless it shall have been previously authorized by vote of the board." The Board must comply with this statutory requirement.

Board Response:

The Board has designated a second member to sign all warrants prior to the issuance of payments, and all payments will continue to be authorized by majority vote of the Board.

3. Annuity Reserve Fund Interest Calculation

The Annuity Reserve Fund (ARF) interest calculations are incorrect as stated for the four years audited. The journal entry to record funds transferred from the Annuity Savings Fund to the Annuity Reserve Fund is not being completed in the month the retirement occurs and, therefore, interest is not being calculated properly.

Revere Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

Recommendation:

Entries must be made in the month the retirement occurs. Interest calculations for the Annuity Savings Fund stop on the retirement date, but the calculation of interest for the Annuity Reserve Fund does not start until the funds are transferred. If the transactions are not done on a timely basis, there could be a period of time when no interest is being calculated on some funds. The Board must recalculate the interest for 2000 through 2003 and make an adjusting entry to correct when closing 2004.

Board Response:

A journal entry was made to adjust interest credited to the pension reserve fund rather than to the annuity reserve fund for calendar years 2000, 2001, 2002, and 2003 as a result of annuity savings fund to annuity reserve fund transfers being completed in December rather than in the months during which the retirements occurred. Prospectively, such transfers will be completed in the month following the issuance of the retiree's first check.

4. Expenses

A. The Board has not prepared and approved an expense budget for calendar year 2003 or 2004.

B. All Board members received \$325, \$325, and \$525 in 2000, 2001, and 2002 respectively. These payments were charged to general ledger account 5719 (Travel). There is no voucher or detailed supporting invoices, hotel folios, or other bills detailing what the payments were for.

Recommendation:

A. Pursuant to G.L. c. 32, § 22 (5) the Board shall adopt an annual budget providing for payment of all expenses of administration of the system.

B. In October, 2002 PERAC approved Revere Retirement Board Travel Regulations, which govern Board travel. Details for charges such as hotel rooms and meals are necessary to verify dates and validity of the expenses.

Board Response:

A. The Board has prepared and approved an expense budget for 2004.

B. The Travel regulations approved by the Revere Retirement Board on August 14, 2002 and promulgated by PERAC on October 23, 2002 have been enforced consistently prospectively from the promulgation date.

Revere Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

5. Refunds and Transfers

A. Audit procedures included a sample of payments refunded to members as requested by formal application. These are done to confirm that the correct amount is being refunded, that the interest portion accrued on contributions withheld is being correctly applied, and that proper withholding is done for federal tax purposes. Of 15 payments selected, we found 3 were calculated incorrectly. The net effect was that the Board overpaid 3 former members by an amount totaling \$513.28. The department head is not completing Section B of the Application for Withdrawal, therefore, there is no confirmation as to whether the member resigned voluntarily or was terminated involuntarily. This data is critical when determining the amount of interest to be refunded.

B. Four folders have been reported missing from the file cabinets and are unavailable for inspection.

Recommendation:

A. The Board must ensure that the department head completes Section B and properly indicate whether the termination was voluntary or involuntary.

B. The Board must take all necessary steps to comply with proper care and maintenance of all records in accordance with The Secretary of State Records Disposal Schedule for Retirement Boards (DS-17-91).

Board Response:

A. Over payments resulting from clerical errors in calculating accrued interest have been addressed through additional training. We have, in the past, accepted termination letters or verbal notification from the appointing authority as notification of resignation or termination. Attempts will be made to obtain the signature of the department head and verification of the termination circumstances on the prescribed form prior to the issuance of refund checks.

B. Board Members and staff have been advised of proper record retention and safeguard practices.

6. Retiree Payments

The audit included a sample of payments to retirees in order to determine if the superannuation calculations are correct and that the payroll matches the monthly allowance. One retiree sampled was receiving monthly checks in excess of their allowance. The superannuation calculation was done correctly, but the wrong amounts were entered into the payroll system for the annuity and pension portions of the allowance.

Recommendation:

The payroll register must be corrected immediately to reflect the correct retirement allowance. The Board must take steps to recapture the over paid amounts of approximately \$8,500. A system of controls should be established to ensure that inputs to the payroll system are accurate.

Revere Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

7. Board Meeting Minutes

The Auditor reviewed Board Meeting Minutes from January, 2000 through May, 2004. The pages are not pre-numbered or initialed by Board members.

Recommendation:

In accordance with G.L. c.32, § 21(1), the pages of the minutes must be pre-numbered or initialed by Board members. Pages intentionally left blank should be marked "intentionally left blank". It is also recommended that the minutes be periodically bound to preserve the integrity and storage of these records.

Final Determination

PERAC auditors will follow-up in six (6) months to ensure that the appropriate actions have been taken regarding the audit findings.

Revere Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2003	2002	2001	2000
Cash	\$1,315,857	\$1,369,333	\$1,012,581	\$1,429,501
Short Term Investments	2,212,535	3,333,755	2,035,975	1,205,303
Fixed Income Securities (at book value)	25,000	25,000	25,000	25,000
PRIT Core Fund	67,102,996	54,097,733	61,296,032	66,553,800
Interest Due and Accrued	156	156	156	156
Accounts Receivable	19,129	32,500	21,721	25,236
Accounts Payable	(255)	(658)	(223)	(262)
TOTAL	<u>\$70,675,417</u>	<u>\$58,857,819</u>	<u>\$64,391,241</u>	<u>\$69,238,735</u>
FUND BALANCES				
Annuity Savings Fund	\$16,406,389	\$16,228,123	\$17,005,474	\$16,076,399
Annuity Reserve Fund	10,011,728	9,510,591	7,779,489	7,808,726
Pension Fund	1,958,533	4,208,859	4,598,952	5,960,352
Military Service Fund	0	0	0	0
Expense Fund	0	0	0	0
Pension Reserve Fund	42,298,767	28,910,245	35,007,326	39,393,257
TOTAL	<u>\$70,675,417</u>	<u>\$58,857,819</u>	<u>\$64,391,241</u>	<u>\$69,238,735</u>

Revere Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2000)	\$15,685,071	\$7,540,060	\$6,322,652	\$0	\$0	\$41,055,392	\$70,603,175
Receipts	1,811,925	190,325	7,639,664	0	184,754	(1,663,908)	8,162,759
Interfund Transfers	(1,046,786)	1,051,242	(6,229)	0	0	1,773	(0)
Disbursements	<u>(373,810)</u>	<u>(972,901)</u>	<u>(7,995,734)</u>	<u>0</u>	<u>(184,754)</u>	<u>0</u>	<u>(9,527,199)</u>
Ending Balance (2000)	16,076,399	7,808,726	5,960,352	0	0	39,393,257	69,238,735
Receipts	1,857,626	219,998	6,895,528	0	476,103	(4,386,158)	5,063,097
Interfund Transfers	(781,113)	786,589	(5,702)	0	0	226	0
Disbursements	<u>(147,438)</u>	<u>(1,035,824)</u>	<u>(8,251,226)</u>	<u>0</u>	<u>(476,103)</u>	<u>0</u>	<u>(9,910,591)</u>
Ending Balance (2001)	17,005,474	7,779,489	4,598,952	0	0	35,007,326	64,391,241
Receipts	1,941,743	219,617	8,512,690	0	415,147	(6,097,163)	4,992,035
Interfund Transfers	(2,548,214)	2,548,132	0	0	0	82	(0)
Disbursements	<u>(171,079)</u>	<u>(1,036,647)</u>	<u>(8,900,416)</u>	<u>0</u>	<u>(415,147)</u>	<u>0</u>	<u>(10,523,289)</u>
Ending Balance (2002)	16,227,924	9,510,591	4,211,226	0	0	28,910,245	58,859,986
Receipts	1,847,181	269,053	7,634,038	0	440,494	13,384,256	23,575,023
Interfund Transfers	(1,495,719)	1,491,454	0	0	0	4,266	(0)
Disbursements	<u>(172,964)</u>	<u>(1,259,370)</u>	<u>(9,886,192)</u>	<u>0</u>	<u>(440,494)</u>	<u>0</u>	<u>(11,759,021)</u>
Ending Balance (2003)	<u>\$16,406,421</u>	<u>\$10,011,728</u>	<u>\$1,959,072</u>	<u>\$0</u>	<u>\$0</u>	<u>\$42,298,767</u>	<u>\$70,675,988</u>

Revere Retirement System

STATEMENT OF INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2003	2002	2001	2000
Annuity Savings Fund:				
Members Deductions	\$1,573,483	\$1,613,587	\$1,488,568	\$1,426,731
Transfers from other Systems	37,822	8,683	9,066	9,452
Member Make Up Payments and Redeposits	78,107	96,549	64,925	61,839
Investment Income Credited to Member Accounts	<u>157,768</u>	<u>222,924</u>	<u>295,067</u>	<u>313,902</u>
Sub Total	<u>1,847,181</u>	<u>1,941,743</u>	<u>1,857,626</u>	<u>1,811,925</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>269,053</u>	<u>219,617</u>	<u>219,998</u>	<u>190,325</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	39,410	40,105	14,322	38,079
Received from Commonwealth for COLA and				
Survivor Benefits	299,416	925,014	30,332	888,527
Pension Fund Appropriation	<u>7,295,212</u>	<u>7,547,570</u>	<u>6,850,874</u>	<u>6,713,058</u>
Sub Total	<u>7,634,038</u>	<u>8,512,690</u>	<u>6,895,528</u>	<u>7,639,664</u>
Military Service Fund:				
Contribution Received from Municipality on Account				
of Military Service	0	0	0	0
Investment Income Credited Military Service Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Expense Fund Appropriation	0	0	0	0
Investment Income Credited to Expense Fund	<u>440,494</u>	<u>415,147</u>	<u>476,103</u>	<u>184,754</u>
Sub Total	<u>440,494</u>	<u>415,147</u>	<u>476,103</u>	<u>184,754</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	24,426	12,213	0	24,840
Pension Reserve Appropriation	0	0	0	0
Interest Not Refunded	175	701	328	1,872
Excess Investment Income	<u>13,359,655</u>	<u>(6,110,077)</u>	<u>(4,386,486)</u>	<u>(1,690,620)</u>
Sub Total	<u>13,384,256</u>	<u>(6,097,163)</u>	<u>(4,386,158)</u>	<u>(1,663,908)</u>
TOTAL RECEIPTS	<u>\$23,575,023</u>	<u>\$4,992,035</u>	<u>\$5,063,097</u>	<u>\$8,162,759</u>

Revere Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

FOR THE PERIOD ENDING DECEMBER 31,				
	2003	2002	2001	2000
Annuity Savings Fund:				
Refunds to Members	\$30,052	\$108,832	\$56,916	\$151,727
Transfers to other Systems	<u>142,912</u>	<u>62,246</u>	<u>90,521</u>	<u>222,083</u>
Sub Total	<u>172,964</u>	<u>171,079</u>	<u>147,438</u>	<u>373,810</u>
Annuity Reserve Fund:				
Annuities Paid	1,167,207	1,026,374	952,099	919,500
Option B Refunds	<u>92,163</u>	<u>10,273</u>	<u>83,725</u>	<u>53,401</u>
Sub Total	<u>1,259,370</u>	<u>1,036,647</u>	<u>1,035,824</u>	<u>972,901</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	5,155,413	4,480,135	3,980,967	3,912,105
Survivorship Payments	503,974	506,841	521,342	468,579
Ordinary Disability Payments	161,204	143,472	141,804	146,800
Accidental Disability Payments	2,701,878	2,622,574	2,531,138	2,429,929
Accidental Death Payments	759,323	565,169	511,786	477,109
Section 101 Benefits	502,422	489,140	481,043	469,581
3 (8) (c) Reimbursements to Other Systems	101,979	93,086	83,147	91,632
State Reimbursable COLA's Paid	-	-	-	-
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>9,886,192</u>	<u>8,900,416</u>	<u>8,251,226</u>	<u>7,995,734</u>
Military Service Fund:				
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend	18,000	18,000	27,000	15,000
Salaries	101,872	95,477	125,211	81,290
Legal Expenses	39,296	41,179	36,411	40,280
Medical Expenses	0	0	0	0
Travel Expenses	0	2,625	1,875	1,625
Administrative Expenses	28,701	17,110	31,049	46,559
Furniture and Equipment	0	0	0	0
Management Fees	252,625	240,757	254,558	0
Custodial Fees	0	0	0	0
Consultant Fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>440,494</u>	<u>415,147</u>	<u>476,103</u>	<u>184,754</u>
TOTAL DISBURSEMENTS	<u>\$11,759,021</u>	<u>\$10,523,289</u>	<u>\$9,910,591</u>	<u>\$9,527,199</u>

Revere Retirement System

INVESTMENT INCOME

**FOR THE FOUR YEAR PERIOD BEGINNING JANUARY 1, 2000
AND ENDING DECEMBER 31, 2003**

	FOR THE PERIOD ENDING DECEMBER 31,			
	2003	2002	2001	2000
Investment Income Received From:				
Cash	9133.48	25487.15	\$30,371	\$14,844
Short Term Investments	68,810	97,791	80,672	67,427
Fixed Income	1,875	1,875	1,875	1,875
Equities	0	0	0	0
Pooled or Mutual Funds	<u>1,938,440</u>	<u>1,915,272</u>	<u>2,069,472</u>	<u>(1,085,785)</u>
Commission Recapture		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>2,018,258</u>	<u>2,040,425</u>	<u>2,182,389</u>	<u>(1,001,639)</u>
Plus:				
Increase in Amortization of Fixed Income Securities	-	-	-	-
Realized Gains	1,790,081	86,971	77,233	-
Unrealized Gains	11,833,274	6,173,151	4,002,833	-
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>156</u>	<u>156</u>	<u>156</u>	<u>156</u>
Sub Total	<u>13,623,512</u>	<u>6,260,278</u>	<u>4,080,222</u>	<u>156</u>
Less:				
Decrease in Amortization of Fixed Income Securities	-	-	-	-
Paid Accrued Interest on Fixed Income Securities	-	-	-	-
Realized Loss	(159,666)	(1,843,676)	(420,231)	-
Unrealized Loss	(1,254,976)	(11,709,259)	(9,237,542)	-
Custodial Fees Paid	-	-	-	-
Consultant Fees Paid	-	-	-	-
Management Fees Paid	-	-	-	-
Board Member Stipend	-	-	-	-
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(156)</u>	<u>(156)</u>	<u>(156)</u>	<u>(156)</u>
Sub Total	<u>(1,414,799)</u>	<u>(13,553,092)</u>	<u>(9,657,930)</u>	<u>(156)</u>
NET INVESTMENT INCOME	<u>14,226,971</u>	<u>(5,252,388)</u>	<u>(3,395,318)</u>	<u>(1,001,639)</u>
Income Required:				
Annuity Savings Fund	157,768	222,924	295,067	313,902
Annuity Reserve Fund	269,053	219,617	219,998	190,325
Military Service Fund	0	0	0	0
Expense Fund	<u>440,494</u>	<u>415,147</u>	<u>476,103</u>	<u>184,754</u>
TOTAL INCOME REQUIRED	<u>867,316</u>	<u>857,689</u>	<u>991,168</u>	<u>688,981</u>
Net Investment Income	<u>14,226,971</u>	<u>(5,252,388)</u>	<u>(3,395,318)</u>	<u>(1,001,639)</u>
Less: Total Income Required	<u>867,316</u>	<u>857,689</u>	<u>991,168</u>	<u>688,981</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$13,359,655</u>	<u>(\$6,110,077)</u>	<u>(\$4,386,486)</u>	<u>(\$1,690,620)</u>

Revere Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$1,315,857	1.86%	100
Short Term	2,212,535	3.13%	100
Fixed Income	25,000	0.04%	40 - 80
PRIT Core Fund	<u>67,102,996</u>	<u>94.97%</u>	100
GRAND TOTALS	<u>\$70,656,388</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, 2003, the rate of return for the investments of the Revere Retirement System was 25.28%. For the five-year period ending December 31, 2003, the rate of return for the investments of the Revere Retirement System averaged 5.65%. For the 19-year period ending December 31, 2003, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Revere Retirement System was 9.71%.

Revere Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

The Revere Retirement System has not submitted any supplementary investment regulations to PERAC.

Revere Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all Revere Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Revere Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Revere Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Revere Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

July 11, 1990

MEMBERSHIP: City – School Department (other than teachers) Housing employees shall become members of the system as directed by Chapter 32, section 3.

Revere Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

MEMBERSHIP: Employees working at least 20 hours per week shall be eligible for membership in the retirement system. Creditable service for part-time workers shall be prorated at it bears against full time service.

MEMBERSHIP: Employees of temporary nature found to be ineligible for membership in system upon becoming permanent employees shall have privilege of purchasing past service, so allowed by board.

MEMBERSHIP: Members may buy back C.E.T.A. employment.

MEMBERSHIP: Any appointed board member wishing to join system will be given one (1) year's creditable service for every five (5) years served. There shall be a six-month waiting period for permanent full-time employees to join the retirement system.

SUPERANNUATION: Applicant after meeting all qualifications of Chapter 32, section 5 must complete proper forms, setting date – options and etc., all forms must be witnessed.

ORDINARY DISABILITY: Applicant shall present a letter stating disability and treatment from his attending physician before receiving application for ordinary disability. Qualifications required by Chapter 32, section 6 must be met by applicant and proper form signed and witnessed, in accordance with P.E.R.A.C. regulations.

ACCIDENTAL DISABILITY: Applicant shall present a letter stating disability and treatment from his attending physician before receiving application for accidental disability. Applicant shall sign release for all departmental doctor and hospital medical records. Applicant shall become available for examinations by a doctor for evaluation examinations if desired by retirement board. Upon meeting all qualifications as required by Chapter 32, Section 7, applicant must sign proper form having same witnessed, in accordance with P.E.R.A.C. regulations.

Employees shall be considered as full-time if they work an average of at least 28 hours per week.

Police traffic supervisors and cafeteria workers, if eligible for membership, shall receive a full year of creditable service for each year worked.

All make-up payments for prior service credit must be approved by the board and payment must be in full at time of make-up.

January 3, 1992

“For every 5 years worked the crossing guards will be granted one year creditable service for the purpose of retirement.”

Revere Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

October 26, 1996

Any member seeking military service credit in accordance with the provisions of chapter 71 of the act of 1996 must remit the full required payment in one lump sum to the Retirement Board on or before the last day of the forty-eighth month following the date of the Board's receipt of said member's initial application for such creditable service, or on or before the date immediately preceding the effective date of the member's retirement, whichever date first occurs.

December 16, 1996

Any member seeking creditable service pursuant to the provisions of c. 235 of the Act of 1994 must remit the full required payment in one lump sum on or before the last day of the thirty-sixth month following the date of the member's receipt or a notice of eligibility from the Board, on or before the date immediately preceding the effective date of the member's retirement whichever date first occurs.

March 13, 1997

Any member seeking military service credit in accordance with the provisions of chapter 71 of the Acts of 1996 must remit the full required payment in one lump sum to the Retirement Board on or before the last day of the forty-eighth month following the date of the Board's receipt of said member's initial application for such creditable service, or on or before the date immediately preceding the effective date of the member's retirement, whichever date first occurs. Any member whose required payment for such military service credit exceeds \$6,000 may petition the Board for an extension. A written request for an extension must be filed with the Board within 180 days of the applicant's receiving written notice of the amount of the required payment. Each such request will be reviewed by the Board on a case by case basis.

Revere Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the City Auditor who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Laurie Giardella

Appointed Member: Antonio Cafarelli Term Expires: 11/18/05

Elected Member: Michael Conley Term Expires: 1/1/06

Elected Member: Steven Powers Term Expires: 4/1/06

Appointed Member: David Petrilli Term Expires: 12/1/05

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$40,000,000 MACRS
Elected Member:)	Policy
Appointed Member:)	
Staff Employee:)	

Revere Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2001.

The actuarial liability for active members was	\$47,007,959
The actuarial liability for retired members and inactives	<u>73,677,893</u>
The total actuarial liability was	120,685,852
System assets as of that date were	<u>69,238,735</u>
The unfunded actuarial liability was	<u>\$51,447,117</u>
 The ratio of system's assets to total actuarial liability was	 57.4%
As of that date the total covered employee payroll was	\$18,299,653

The normal cost for employees on that date was 7.63% of payroll

The normal cost for the employer was 9.74% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum

Rate of Salary Increase: 5.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2001

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2001	\$69,238,735	\$120,685,852	\$51,447,117	57.4%	\$18,299,653	281.1%
1/1/1998	\$50,357,960	\$108,422,607	\$58,064,647	46.4%	\$15,964,471	363.7%
1/1/1995	\$31,583,291	\$84,291,607	\$52,708,316	37.5%	\$12,408,769	424.8%

Revere Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FOUR YEAR PERIOD ENDING DECEMBER 31, 2003

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Superannuation	42	10	7	9	6	9	15	9	40	25
Ordinary Disability	1	0	1	1	0	0	0	0	0	1
Accidental Disability	2	4	2	3	2	4	6	5	5	1
Total Retirements	45	14	10	13	8	13	21	14	45	27
 Total Retirees, Beneficiaries and Survivors	 584	 577	 571	 570	 565	 563	 566	 561	 589	 599
 Total Active Members	 469	 507	 479	 482	 500	 498	 503	 551	 552	 530
Pension Payments										
Superannuation	\$3,036,949	\$3,680,416	\$3,662,479	\$3,852,328	\$3,589,322	\$3,702,144	\$3,912,105	\$3,980,967	\$4,480,135	\$5,155,413
Survivor/Beneficiary Payments	286,858	308,554	317,092	325,624	362,931	383,510	468,579	521,342	506,841	503,974
Ordinary Disability	156,813	158,674	148,338	159,517	152,042	150,298	146,800	141,804	143,472	161,204
Accidental Disability	2,109,197	2,309,550	2,422,642	2,229,143	2,301,280	2,394,427	2,429,929	2,531,138	2,622,574	2,701,878
Other	<u>715,487</u>	<u>582,399</u>	<u>607,076</u>	<u>766,450</u>	<u>839,562</u>	<u>865,431</u>	<u>946,690</u>	<u>992,829</u>	<u>1,054,309</u>	<u>1,261,745</u>
Total Payments for Year	<u>\$6,305,304</u>	<u>\$7,039,593</u>	<u>\$7,157,627</u>	<u>\$7,333,062</u>	<u>\$7,245,137</u>	<u>\$7,495,810</u>	<u>\$7,904,102</u>	<u>\$8,168,079</u>	<u>\$8,807,329</u>	<u>\$9,784,213</u>

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